

PUBLIC SERVICE COMMISSION OF WISCONSIN

Quadrennial Planning Process II

5-FE-100

FINAL DECISION

This is the Final Decision regarding the Focus on Energy (Focus) revised goals for the 2015-2018 quadrennium and the proposed administrative costs for the Focus Renewable Loan Fund.

Background

Adjustment to the Four-Year Goals Due to Carryover Funds

The Commission's Final Decision regarding the Quadrennial Planning process, served September 5, 2014 ([PSC REF#: 215245](#)), established Focus goals for the 2015-2018 quadrennium. The first quadrennium ended December 31, 2014, and was the first time Focus had a four-year budget and four-year goals. Because there is \$9,302,751 in carryover funds from the first quadrennium, it is necessary to adjust the original goals for the current quadrennium to reflect the increased budget for the 2015-2018 period. This \$9,302,751 results in an increase in the program implementation budget for the 2015 program year of about 10 percent, which translates to about a 2.6 percent increase for the quadrennium. The Program Administrator provided Commission staff a memorandum with its proposed revisions to the four-year goals. Commission staff developed three options for the Commission to consider based on the Program Administrator's memorandum. These options are summarized in the Commission staff memorandum dated September 16, 2015. ([PSC REF#: 275508.](#))

The Commission discussed the three alternatives addressing the revised goals at its open meeting of September 24, 2015. The Commission finds it reasonable and in the public interest to set the overall million British thermal unit (MMBtu) four-year goal at 268,659,142, the kilowatt (kW) goal at 422,624, the verified gross life cycle kilowatt-hour (kWh) goal at 32,197,088,735, and the verified gross life cycle therm goal at 1,588,026,749.

Proposed Administrative Costs for the Renewable Loan Fund

The Commission's Order in docket 5-FE-100, served November 21, 2014, addressed funding for renewable energy programs. ([PSC REF#: 225109](#).) The Commission determined that \$10 million of undesignated funds should be set aside for the creation of a renewable revolving loan fund (\$2.5 million for each of the four years of the quadrennium). In addition, \$5 million and \$3.5 million were to be made available for renewable energy incentives in 2015 and 2016, respectively. The Commission also directed the Program Administrator to report back no later than mid-2016 on the status of the loan fund in order for the Commission to evaluate the effectiveness of the loan mechanism and determine whether Focus should transition entirely to loans, retain the combined loan and incentive program, or otherwise amend the program.

The Program Administrator worked with Commission staff to develop the renewable loan structure. A Request for Proposals for an implementer for the Renewable Loan Fund was released on April 6, 2015, with proposals due by May 5, 2016. The administrative costs included in the proposals appeared to be higher than the Commission anticipated when it approved the renewable loan program. Commission staff requested guidance from the Commission on moving forward with this program. Commission staff brought three options to the Commission

for its consideration in the Commission staff memorandum dated September 16, 2015. ([PSC REF#: 275508](#).)

The Commission discussed three alternatives at its open meeting of September 24, 2015. The Commission finds it reasonable and in the public interest to direct the Program Administrator to reduce the program implementer's scope of work for the Renewable Loan Fund and negotiate with the selected implementer to reduce implementation costs accordingly. If those implementation costs exceed \$100,000 annually, the Program Administrator shall seek further guidance from the Commission. In addition, Commission staff should work with the Program Administrator to reduce its own administrative costs for the renewable loan program, and if those costs exceed \$100,000 annually, Commission staff shall seek further guidance from the Commission.

Findings of Fact

1. Setting the Focus revised verified gross life cycle goals for the 2015-2018 quadrennial period as set forth below is reasonable and in the public interest.
2. Directing the Program Administrator to reduce the program implementer's scope of work for the Renewable Loan Program and negotiate with the selected implementer to reduce costs as well as its own administrative costs as set forth below is reasonable and in the public interest.

Conclusions of Law

The Commission has jurisdiction under Wis. Stat. §§ 196.02, 196.374, and 196.395, and Wis. Admin. Code ch. PSC 137, to set and revise goals, priorities, and measureable targets for the Focus program.

Discussion

Adjustment to the Four-Year Goals Due to Carryover Funds

The Commission's Final Decision regarding the Quadrennial Planning process, served September 5, 2014 ([PSC REF#: 215245](#)), included a determination of goals for the 2015-2018 quadrennium. The first quadrennium ended December 31, 2014, and was the first time Focus had a four-year budget and four-year goals. Because there was \$9,302,751 in carryover funds from the 2011-2015 quadrennium, it is necessary to adjust the original goals for the current quadrennium to reflect the increased budget for the 2015-2018 period.

The Program Administrator's proposed four-year goals increase the overall MMBtu four-year goal by 2.3 percent. This is less than the 2.6 percent increase in the four-year budget due to the addition of the carryover funds. However, based on Focus's program history, the Program Administrator estimates there will be carryover of about \$4.5 million from the current quadrennium, 2015-2018, to the next. While it proposes to increase the overall MMBtu (2.3 percent), kW (2.3 percent), and kWh goals (10.0 percent), the Program Administrator proposed to decrease the verified gross life cycle therm goal by 2.7 percent. The Program Administrator did not meet its therm savings goals for the 2011-2014 quadrennium and states that it continues to be difficult to achieve cost-effective therm savings due to low natural gas prices. The therm goals established for the 2015-2018 quadrennium were based on the assumption of achieving the 2011-2014 goals, plus 15 percent. Given the continued low natural gas prices, achievement of this goal may not be realistic. Also, a reduction in therm goals may be appropriate as the decline in natural gas revenues has reduced the contribution to Focus from natural gas

customers. The amount of Focus funding from natural gas customers has decreased from about \$32 million, or 32 percent of Focus funding, in 2012 to about \$25 million, or 24 percent, in 2015.

The Commission finds it in the public interest to accept the Program Administrator's proposed overall verified gross life cycle MMBtu goal of 268,659,142 and proposed kW goal of 422,624. The Commission also finds it in the public interest to keep the original verified gross life cycle therm goal of 1,588,026,749, rather than lowering it as the Program Administrator proposed, and adjust the kWh goal accordingly. While the Commission agreed that the low cost of natural gas makes it more difficult to achieve therm savings, the Commission addressed this issue in an order issued on February 6, 2014, in which it approved allowing the Program Administrator to use an exchange rate to trade therms for kWh savings for purposes of evaluating whether the Program Administrator met its contractual goal for therms. ([PSC REF#: 198182](#).) Under the exchange rate developed by Commission staff and found reasonable by the Commission, saving one therm of natural gas would save the same amount of energy as 13.5 kWh of electricity. Therefore, rather than lowering the therm goal as requested by the Program Administrator, the Commission determined to leave it unchanged. The Commission found it inappropriate to consider a reduction to the therm goal before the Program Administrator first makes use of the exchange rate.

Proposed Administrative Costs for the Renewable Loan Fund

The Commission's Order in docket 5-FE-100, served November 21, 2014, addressed funding for renewable energy programs. ([PSC REF#: 225109](#).) The Commission determined that \$10 million of undesignated funds should be set aside for the creation of a renewable revolving loan fund (\$2.5 million for each of the four years of the quadrennium). In addition,

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\$5 million and \$3.5 million were to be made available for renewable energy incentives in 2015 and 2016, respectively.

The Program Administrator worked with Commission staff to develop the renewable loan structure. A Request for Proposals for an implementer for the Renewable Loan Fund was released on April 6, 2015, with proposals due by May 5, 2016. The administrative costs for the program included in the proposals received were higher than the Commission anticipated. The proposed average administrative costs for each year of the quadrennium ranged from \$300,000 to \$487,825, not including the administrative costs of the Program Administrator. Commission staff requested guidance from the Commission on moving this program forward and brought three options to the Commission for its consideration in the Commission staff memorandum dated September 16, 2015. ([PSC REF#: 275508](#).)

The Commission determined that the administrative costs proposed for the renewable loan program are not reasonable considering the total program funding of \$10 million over four years. The Commission finds it in the public interest for the Program Administrator to reduce the program implementer's scope of work for the Renewable Loan Fund and negotiate with the selected implementer to reduce implementation costs accordingly. If those implementation costs exceed \$100,000 annually, the Program Administrator shall seek further guidance from the Commission. In addition, Commission staff should work with the Program Administrator to reduce its own administrative costs for the Renewable Loan Fund, and if those costs exceed \$100,000 annually, Commission staff shall seek further guidance from the Commission.

ORDER

1. The Focus-revised verified gross life cycle goals shall be 268,659,142 MMBtus. The gross kW goal shall be 422,624, the verified gross life cycle kWh goal shall be 32,197,088,735, and the verified gross life cycle therm goal shall be 1,588,026,749. This translates into a net annual kWh goal of 2,261,492,068, with the net annual therm goal remaining at 76,911,727. The net kW goal is 319,838.

2. The Program Administrator shall reduce the program implementer's scope of work for the Renewable Loan Fund and negotiate with the selected implementer to reduce costs accordingly. If these implementation costs exceed \$100,000 annually, Commission staff shall seek further guidance from the Commission.

3. Commission staff shall work with the Program Administrator to reduce its administrative costs for the Renewable Loan Program. If these costs exceed \$100,000 annually, Commission staff shall seek further guidance from the Commission.

4. This Final Decision takes effect one day after the date of service.

5. Jurisdiction is retained.

Dated at Madison, Wisconsin, this 13th day of October, 2015.

By the Commission:

A handwritten signature in black ink, appearing to read "Sandra J. Paske", with a stylized, flowing script.

Sandra J. Paske
Secretary to the Commission

SJP:JAS;jlt DL: 01268096

See attached Notice of Rights

PUBLIC SERVICE COMMISSION OF WISCONSIN
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**NOTICE OF RIGHTS FOR REHEARING OR JUDICIAL REVIEW, THE
TIMES ALLOWED FOR EACH, AND THE IDENTIFICATION OF THE
PARTY TO BE NAMED AS RESPONDENT**

The following notice is served on you as part of the Commission's written decision. This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

PETITION FOR REHEARING

If this decision is an order following a contested case proceeding as defined in Wis. Stat. § 227.01(3), a person aggrieved by the decision has a right to petition the Commission for rehearing within 20 days of the date of service of this decision, as provided in Wis. Stat. § 227.49. The date of service is shown on the first page. If there is no date on the first page, the date of service is shown immediately above the signature line. The petition for rehearing must be filed with the Public Service Commission of Wisconsin and served on the parties. An appeal of this decision may also be taken directly to circuit court through the filing of a petition for judicial review. It is not necessary to first petition for rehearing.

PETITION FOR JUDICIAL REVIEW

A person aggrieved by this decision has a right to petition for judicial review as provided in Wis. Stat. § 227.53. In a contested case, the petition must be filed in circuit court and served upon the Public Service Commission of Wisconsin within 30 days of the date of service of this decision if there has been no petition for rehearing. If a timely petition for rehearing has been filed, the petition for judicial review must be filed within 30 days of the date of service of the order finally disposing of the petition for rehearing, or within 30 days after the final disposition of the petition for rehearing by operation of law pursuant to Wis. Stat. § 227.49(5), whichever is sooner. If an *untimely* petition for rehearing is filed, the 30-day period to petition for judicial review commences the date the Commission serves its original decision.¹ The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

If this decision is an order denying rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not permitted.

Revised: March 27, 2013

¹ See *Currier v. Wisconsin Dep't of Revenue*, 2006 WI App 12, 288 Wis. 2d 693, 709 N.W.2d 520.